



DIB Bank Kenya
A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 11TH JANUARY 2019

DOMESTIC NEWS

Suppressed dollar demand from oil and manufacturing importers helped the Kenyan shilling to strengthen further against the greenback on Thursday amid dollar inflows from remittances and horticulture exports. At close of trade, the local unit stood at 101.65/85 against the dollar, marginally stronger than Wednesday's close of 101.75/95. We expect the shilling to hold relatively steady in the coming week as dollar inflows from offshore investors buying government debt meet thin importer demand.

Meanwhile, the Central Bank, in its capacity as a fiscal agent for the Republic of Kenya is offering an opportunity to invest in a new two-year bond, FXD1/2019/2 and a new fifteen-year bond, FXD1/2019/15 seeking to raise KES 40bn in the month of January 2019. The auction date for the two bonds will be on the 23rd January 2019 and the coupon rate will be market determined.

Indicative Forex rates

| | Buy Cash | Sell Cash | Buy TT | Sell TT |
|---------|----------|-----------|--------|---------|
| USD/KES | 98.25 | 105.25 | 99.25 | 104.25 |
| GBP/KES | 125.90 | 133.90 | 126.40 | 133.40 |
| EUR/KES | 113.80 | 120.80 | 114.30 | 120.30 |
| AED/KES | 26.20 | 29.20 | 26.20 | 29.20 |

| Money Market Rates | Current | Previous | Change |
|--------------------|---------|----------|--------|
| Interbank Rate | 2.2607% | 2.8175% | -0.557 |
| 91-Day T-bill | 7.200% | 7.316% | -0.116 |
| 182-Day T-Bill | 8.935% | 8.997% | -0.062 |
| 364-Day T-Bill | 9.958% | 10.011% | -0.053 |
| Inflation | 5.71% | 5.58% | 0.130 |
| CBR RATE | 9.00% | 9.50% | -0.500 |

(Source; Central Bank of Kenya)



(Source; Reuters)

INTERNATIONAL NEWS

The U.S. dollar rallied from three-month lows on Thursday, as investors reduced bearish positions on the currency as they await resolution of U.S.-China trade negotiations, the U.S. government shutdown, and Britain's exit from the E.U.

The greenback also got support after Fed Chairman Jerome Powell said the U.S. central bank intends to further shrink the balance sheet, suggesting it is not done tightening monetary policy just yet. He also said he sees no near-term risk of a U.S. recession and expects continued momentum in economic data. However, he reiterated that the Fed can be patient on monetary policy and can move "flexibly and quickly" if economic data warrants it.

The euro, meanwhile, fell from a three-month high, having cleared key market levels earlier after the Fed minutes signaled a more cautious approach toward further rate hikes. It was last down 0.2% at \$1.1530.

The sterling pound also fell marginally after British PM Theresa May lost two parliamentary votes in two days, adding more Brexit uncertainty and raising the prospect she may soon face a general election. The British currency was a whisker lower on the day versus the dollar at \$1.2765. Expectations for sterling volatility declined, however, after lawmakers demanded that the government come up with a plan B within days if May loses a Jan. 15 parliament vote on her Brexit deal.

Elsewhere, oil prices slipped in early trading on Friday amid concerns over the outlook for the global economy, but output cuts agreed by major exporters underpinned crude prices and kept markets on track for a strong weekly climb. Brent crude futures were at \$61.55 per barrel, down 0.2% from their last close.

Indicative Profit Rates on Deposits

| | Indicative Profit Rates on Deposits | |
|----------|-------------------------------------|------------------|
| | Amounts > 10 Million | Amounts >100,000 |
| | KES | USD |
| 2 Weeks | 6.50% | 2.00% |
| 1 Month | 7.00% | 2.50% |
| 3 Months | 8.00% | 2.75% |
| 6 Months | 8.50% | 3.50% |
| 1 year | 9.00% | 3.75% |

Indicative Cross Rates

| | Bid | Offer |
|---------|--------|--------|
| EUR/USD | 1.1480 | 1.1580 |
| GBP/USD | 1.2715 | 1.2815 |
| USD/AED | 3.6675 | 3.6785 |
| USD/JPY | 107.80 | 108.80 |

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